



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. _____
Series of 2025

Subject : **Regulations on the Temporary Holding of Funds Subject of a Disputed Transaction and Coordinated Verification Process**

The Monetary Board, in its Resolution No. ____ dated _____, approved the adoption of the Regulations on Temporary Holding of Funds Subject of a Disputed Transaction and Coordinated Verification Process to implement Sections 7 to 11 of Republic Act (R.A.) No. 12010 or the “Anti-Financial Account Scamming Act” (AFASA), and accordingly approved the constitution of new provisions and/or amendments to the relevant provisions of the Manual of Regulations for Banks (MORB), the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), and the Manual of Regulations for Payment Systems (MORPS).

Section 1. Part ____ of the MORB, MORNBFI, and MORPS are hereby constituted and/or amended and shall now read as follows:

PART ____

REGULATIONS ON THE TEMPORARY HOLDING OF FUNDS SUBJECT OF A DISPUTED TRANSACTION AND COORDINATED VERIFICATION PROCESS

[Section Number] TEMPORARY HOLDING OF DISPUTED FUNDS AND COORDINATED VERIFICATION OF DISPUTED TRANSACTIONS

Policy Statement. The State recognizes the vital role of banks, non-bank financial institutions, other payment service providers, and the general banking public in promoting and maintaining a stable and efficient financial system. The State also acknowledges that with the increased use of electronic commerce and digital financial services, there is a need to promote awareness on the proper use of Financial Accounts and to protect the public from cybercriminals and criminal syndicates who target Financial Accounts or lure Account Owners into becoming accessories or perpetrators of fraudulent activities. The State shall undertake measures to protect all persons from cybercrime schemes by regulating the use of Financial Accounts and preventing their use in fraudulent activities.

Scope and Applicability. These Regulations apply to all *Bangko Sentral*-Supervised Institutions (BSIs), Automated Clearing House (ACH) Participants, and Clearing Switch Operators (CSOs) involved in the electronic transfer of funds from one Financial Account to another Financial Account, regardless of whether the funds remain in the financial system or not.

These Regulations shall not apply to erroneous transactions¹ and credit card issuers, acquirers, and transactions.

¹ As defined in the next subsection.

Funds subject of an erroneous transaction shall be returned to the sender's account within the timelines prescribed under Circular No. 1195, Series of 2024. A separate regulation shall be issued with respect to credit card issuers, acquirers, and transactions.

Definition of Terms. For purposes of these Regulations, the following definitions shall apply:

- a. *Account Owner* – refers to the person to whom a Financial Account belongs or under whose name the account was opened. It also refers to a Financial Consumer or Client, as defined in R.A. No. 11765, or the Financial Products and Services Consumer Protection Act, and its implementing rules and regulations.
- b. *Automated Clearing House (ACH)* – is a multilateral agreement among ACH Participants governing the clearing and settlement of payment orders for a specific payment stream.
- c. *ACH Participant* – refers to an institution duly-licensed by the *Bangko Sentral* and is a signatory to at least one ACH.
- d. *Bangko Sentral-Supervised Institution (BSI)* – refers to a person that provides financial products or services under the jurisdiction of the *Bangko Sentral*, as provided in existing laws, rules and regulations. These include banks, non-banks, payments and other financial service providers under the jurisdiction of the *Bangko Sentral*.
- e. *Beneficiary Account* – refers to a Financial Account where Disputed Funds have been credited, whether total or partial, and regardless of the fact that the funds may have been subsequently transferred or exfiltrated to a different Financial Account, within the same or different BSI.
- f. *Beneficiary Account Owner* – refers to the owner of the Beneficiary Account based on the BSI's records.
- g. *Clearing Switch Operator (CSO)* – refers to the person that provides clearing switch services by acting as the operator of a payment system to be used by the ACH Participants in accordance with the guidelines and principles set forth in related ACH documents.
- h. *Coordinated Verification Process* – refers to a systematic sharing of information and coordination among BSIs, ACH Participants, CSOs, and Account Owners to track and determine the legitimacy of a Disputed Transaction.
- i. *Disputed Funds* – refer to the funds or equivalent amounts subject of a Disputed Transaction, or to the funds or equivalent amounts, whether total or partial, that originated from a Disputed Transaction and moved through various Receiving Financial Institutions (RFIs), Subsequent-RFIs, and Financial Accounts.
- j. *Disputed Transaction* – refers to an electronic fund transfer, where a BSI has reasonable grounds to believe, based on a complaint, an FMS Finding, or an Initial Holding Request, that such transaction appears to be:
 - 1) *Unusual*. A transaction is considered unusual when it shows patterns that are inconsistent with the account owner's usual behavior, is not

commensurate with the known business or financial capacity of the account owner, or deviates from the account owner's profile. It also covers transactions that are inconsistent in amount, origin, destination, or type with an account owner's known legitimate business or activities or is significantly larger than the typical transactions of an account owner.

- 2) *Without clear economic purpose.* This covers transactions that have no underlying legal or trade obligation, purpose, or economic justification. It also includes transactions that appear to be out of the normal course for industry practice or do not appear to be economically viable for the account owner, or transactions that are unnecessarily complex for their stated purpose, transactions without business explanation for their size.
 - 3) *From an unknown or illegal source, or unlawful activity.* A source is unknown if the clear and legitimate source cannot be established or does not match the institution's information on the account owner's profile. This includes situations where there is insufficient or no documentation to support the origin of funds. A transaction is considered to be from an illegal source when it arises from, or uses the proceeds of, an unlawful activity. Unlawful activity refers to any act or omission, or series or combination thereof, that violates a provision of law or constitutes a criminal offense. Prior conviction is not necessary to consider an act or activity as unlawful or criminal.
 - 4) *Facilitated through social engineering schemes.* A transaction is considered facilitated through social engineering schemes when sensitive identifying information of another person is obtained through deception or fraud resulting in unauthorized access and control over a Financial Account. The scheme may be performed by any of the following acts: misrepresenting oneself as acting on behalf of a BSI; making false representations to solicit another person's sensitive identifying information; or using electronic communications to obtain another person's sensitive identifying information.
- k. *Disputed Transaction Chain* – refers to a series or sequence of linked transactions involving funds that originated from a Disputed Transaction and moved through various RFIs, Subsequent-RFIs, and Financial Accounts to a final destination, including cash out or cash withdrawal.
- l. *Electronic Fund Transfer (EFT)* – refers to transfers of funds between two Financial Accounts in the same or different BSIs that are initiated and received using electronic devices and channels to transmit instructions. As used in these Regulations, this term is synonymous with electronic payments and includes remittances.
- m. *Erroneous Transaction* – refers to an incorrect electronic fund transfer as a result of any of the following circumstances: sending to an incorrect beneficiary account due to the erroneous encoding of account number by the sender; and sending to a beneficiary account an incorrect amount due to erroneous encoding by the sender.
- n. *Extended Holding* – refers to the holding of Disputed Funds for not more than fifteen (15) calendar days after the lapse of the Initial Holding period, in accordance with these Regulations.

- o. *Extended Holding Request* – A request initiated by the OFI to extend the Initial Holding of Disputed Funds for an additional period of not more than fifteen (15) calendar days.
- p. *Financial Account* – refers to an account used to avail of products or services offered by BSIs, such as interest or non-interest bearing deposit, trust, investment, or credit card account; other transaction account maintained with a bank, non-bank, or financial institution; e-wallet; and any other account used to avail of financial products or services defined under Section 3(c) of R.A. No. 11765. The term is synonymous with transaction account, as used and defined under the Manual of Regulations for Payment Systems (MORPS).
- q. *Financial Consumer Protection Assistance Mechanism (FCPAM)* – refers to the first-level recourse mechanism for financial consumers who are dissatisfied with a financial product or service.
- r. *FMS Finding* – refers to an FMS notification or alert flagging a transaction as a Disputed Transaction.
- s. *Fraud Management Systems (FMS)* – refers to a comprehensive set of automated and real-time monitoring and detection systems to identify, flag, alert, block, and trace disputed, suspicious, or other similar transactions.
- t. *Industry Protocol* – refers to the protocol, convention, or mechanism that BSIs, ACH Participants, and CSOs shall develop, adopt, and implement to effectively carry out the provisions of these Regulations. The protocol shall, at a minimum, meet the expectations set forth under these Regulations and ensure their effective application.
- u. *Initial Holding* – refers to the holding of Disputed Funds for not more than five (5) calendar days, in accordance with these Regulations.
- v. *Initial Holding Request* – A request initiated by a BSI to initially hold Disputed Funds for a period of not more than five (5) calendar days.
- w. *Originating Financial Institution (OFI)* – refers to a BSI that transmits funds from one Financial Account to another Financial Account within the same BSI and/or to Financial Accounts held in other BSIs. The OFI holds the Source Account of the fund transfer.
- x. *Receiving Financial Institution (RFI)* – refers to a BSI that receives or accepts funds subject of a Disputed Transaction from an OFI. The RFI holds a Beneficiary Account of the fund transfer.
- y. *Sensitive Identifying Information* – refers to any information that can be used to access an individual's Financial Account such as usernames, passwords, bank account details, credit card, debit card, and e-wallet information among other electronic credentials, and other confidential and personal information.
- z. *Source Account* – refers to the Financial Account where the Disputed Funds originated.
- aa. *Source Account Owner* – refers to the owner of the Source Account based on the OFI's records.

bb. Subsequent Receiving Financial Institution (Subsequent-RFI) – refers to any BSI receiving or accepting Disputed Funds from an RFI or Subsequent-RFI. The Subsequent-RFI holds a Beneficiary Account of the fund transfer.

Financial Account Protection and Security. BSIs must actively and regularly engage with their client Account Owners on proactive measures to safeguard their personal and financial information, and ensure the security and integrity of their Financial Accounts. BSIs' communications may include the following:

- 1) Account Owners shall take reasonable steps to protect their Sensitive Identifying Information, including usernames, user IDs, passwords, personal identification numbers (PINs), one-time passwords/PINs, and other account credentials or authentication factors. These include using strong and unique passwords, refraining from sharing credentials, and exercising caution to avoid falling victim to social engineering schemes. Account Owners are strongly encouraged to regularly update their account credentials, including passwords and PINs, and to do so immediately if there is any suspicion of compromise of their Financial Account.
- 2) Account Owners shall promptly report any Disputed Transaction to their BSIs to facilitate the investigation and performance of necessary steps to protect the Financial Account.
- 3) Account Owners shall cooperate with BSIs in the investigation and verification of Disputed Transactions. This includes providing any requested information or documentation necessary to support the investigation and mitigate further risk.
- 4) Account Owners shall comply with the security practices recommended by BSIs, including activating available features, such as transaction limits, real-time alerts, and multi-factor authentication, to enhance the security of their accounts.
- 5) Account Owners shall promptly notify BSIs of any changes to their account information, such as contact details, security preferences, or other relevant details, to ensure that account records remain accurate and up to date.
- 6) Account Owners shall regularly read and monitor notifications from BSIs. This includes reviewing, in a reasonable and prudent manner, BSI alerts, transaction records, and any communication regarding account security to promptly identify potential issues or unauthorized activities.

Industry Protocol for Temporary Holding of Disputed Funds and Coordinated Verification of Disputed Transactions. All BSIs, ACH Participants, and CSOs shall collaborate and establish an integrated and holistic industry protocol for the temporary holding of Disputed Funds and coordinated verification of Disputed Transactions.

All BSIs, ACH Participants, and CSOs shall subscribe and adhere to the Industry Protocol to ensure timely, efficient, and effective temporary holding of Disputed Funds and coordinated verification of Disputed Transactions. The Industry Protocol shall:

- 1) Contain clear and specific roles and responsibilities of BSIs, ACH Participants, and CSOs in the temporary holding of funds and the Coordinated Verification Process, provided that the minimum requirements set forth in these Regulations are complied with;
- 2) Enable timely and streamlined systems and procedures for the temporary holding of funds and the Coordinated Verification Process;
- 3) Require prompt notifications to Source and Beneficiary Account Owners whose Financial Accounts are affected by the temporary holding of funds and the Coordinated Verification Process;
- 4) Institutionalize a secure, real-time or near-real-time, automated system for tracing Disputed Transactions, with capability to generate and record a visible Disputed Transaction Chain, trigger the temporary holding of Disputed Funds, and induce timely alerts for involved BSIs, ACH Participants, and CSOs;
- 5) Incorporate a clearly defined shared accountability framework that shall include a mechanism for settling disputes among BSIs and determining liability for losses;
- 6) Include a regular communication plan to inform Account Owners about the basic responsibilities of parties, the timelines applicable to the temporary holding of Disputed Funds and the Coordinated Verification Process, among other key messages, to manage expectations of Account Owners in particular, and the public in general; and
- 7) Contain other rules, procedures, and systems necessary to seamlessly conduct an industry-wide temporary holding of funds and Coordinated Verification Process.

The Industry Protocol must be fully operational within six (6) months from the effectivity of these Regulations.

Procedure for Temporary Holding of Funds Subject of a Disputed Transaction and Coordinated Verification. BSIs shall have the authority to temporarily hold Disputed Funds for a period of not more than twenty (20) calendar days, inclusive of the Initial and Extended Holding periods provided hereunder. The period to hold Disputed Funds under these Regulations may be extended only by a court of competent jurisdiction.

Once the Disputed Funds in the Beneficiary Accounts have been held, the equivalent amount shall be considered credited but may not be withdrawn during the holding period.

Simultaneously with the temporary holding of Disputed Funds, BSIs shall initiate a Coordinated Verification Process to validate a Disputed Transaction. For this purpose, all BSIs shall establish and implement their own policies, systems, and procedures for verification of Disputed Transactions, subject to the agreed Industry Protocol and other industry-wide conventions, provided that the same are compliant with the requirements set forth in these Regulations.

Initiating the Temporary Holding of Disputed Funds and Coordinated Verification Process. The Initial Holding of Disputed Funds and Coordinated Verification Process is initiated through any of the following:

- 1) Complaint-Initiated Holding – a complaint filed by the Source Account Owner through the 24/7 fraud reporting channel of the OFI's FCPAM;
- 2) FMS-Initiated Holding – a BSI's FMS Finding;
 - a. For FMS Findings involving outgoing transactions, the OFI which flagged the Disputed Transaction shall proceed in accordance with the subsequent Sections.
 - b. For FMS Findings involving incoming transactions, the RFI which flagged the Disputed Transaction shall proceed in accordance with **Appendix A**.
- 3) Request-Initiated Holding – an Initial Holding Request from the OFI to an RFI or Subsequent-RFI.

BSIs shall keep time-logs for receipt of the foregoing, and such logs shall be used as basis to determine timely compliance by BSIs under these Regulations.

Preliminary Verification, Preparation of Disputed Transaction Report, and Initial Holding of Disputed Funds. Immediately and simultaneously from receipt of a complaint or FMS Finding involving an outgoing transaction, the OFI shall, in accordance with the periods prescribed under the Industry Protocol:

- 1) Verify the information received to enable it to identify the Disputed Transaction and the Disputed Funds to be subjected to Initial Holding and Coordinated Verification Process. At the minimum, the BSI shall confirm the unique transaction reference number or transaction identifier, the Source Account Owner and Number, the amount of Disputed Funds, the mode of transfer or payment transaction, the date and time of the Disputed Transaction, the RFIs and/or Subsequent-RFIs involved, and the Beneficiary Account Owner and Number, if known.

For Complaint-Initiated Holding, the OFI shall additionally verify the identity of the person making the complaint and confirm that such person is the Source Account Owner or their authorized representative, in accordance with the OFI's standard operating procedures and the agreed Industry Protocol.

- 2) Prepare a Disputed Transaction Report documenting the minimum information necessary to identify the Disputed Transaction, the Disputed Funds, and the reasons why the transaction appears to be a Disputed Transaction.
- 3) When applicable, perform actions necessary to preserve the integrity of the Source Account.
- 4) If the Disputed Funds were transferred to a Beneficiary Account Owner within the BSI, initially hold the Disputed Funds for not more than five (5) calendar days.
- 5) If the Disputed Funds have been wholly or partially transferred to another BSI, transmit, using the automated system for tracing of Disputed Transactions, an Initial Holding Request to all RFIs and Subsequent-RFIs identified in the Disputed Transaction Chain to initially hold the Disputed Funds for not more than five (5) calendar days from receipt thereof.

- 6) Upon holding of the Disputed Funds, if applicable, notify its own Beneficiary Account Owner that it has temporarily held the Disputed Funds for an initial period of not more than five (5) calendar days, together with:
 - a. Information on how the Beneficiary Account Owner may challenge or request the lifting of the Initial Holding or substantiate the legitimacy of the Disputed Transaction; and
 - b. Information on the possible extension of the Initial Holding and the possible consequences for failing to participate in the Coordinated Verification Process or to substantiate the legitimacy of the Disputed Transaction.
- 7) Inform the Source Account Owner of the initial actions taken on the Disputed Transaction and:
 - a. For Complaint-Initiated Holding, the OFI shall generate an acknowledgment of the Complaint and provide the Source Account Owner with a Disputed Transaction Reference Number.
 - b. For FMS-Initiated Holding involving outgoing transactions, the OFI shall communicate with the Source Account Owner to verify whether the latter performed and authorized the Disputed Transaction and provide the Source Account Owner with a Disputed Transaction Reference Number.

In either case, the Source Account Owner shall be informed that any person who, with malice or in bad faith, reports or files completely unwarranted or false information that results in the temporary holding of funds may be held criminally liable for malicious reporting under Section 11, in relation to Section 16(e), of R.A. No. 12010.

- 8) Participate in the Coordinated Verification Process by tracing and verifying the accuracy, authenticity, and legitimacy of the Disputed Transaction, and coordinating with the involved BSIs, ACH Participants, CSOs, and Account Owners.

Immediately and simultaneously from receipt of an Initial Holding Request, the RFI or Subsequent-RFI shall, in accordance with the periods prescribed under the Industry Protocol, comply with subparagraphs (1) as to the Beneficiary Account Owner, (2), (4), (6), and (8) of this subsection.

In view of the urgent need to prevent the transfer and/or exfiltration of Disputed Funds through the financial system, a BSI shall, for purposes of Initial Holding, have the right to rely on the allegations of the person making the complaint, the FMS Finding, or Initial Holding Request as to the circumstances giving rise to the Disputed Transaction.

Response to Initial Holding Request. Immediately from receipt of the Initial Holding Request and in accordance with the periods prescribed under the Industry Protocol, the RFI and/or Subsequent-RFI shall provide the OFI with information on whether the Disputed Funds are partially or fully intact, including:

- 1) Whether the RFI or Subsequent-RFI was able to carry out the Initial Holding of Disputed Funds in accordance with these Regulations and the amounts successfully held, if any.
- 2) Whether the Disputed Funds sent to the Beneficiary Account Owner have been withdrawn in a manner that prevents the further tracing and holding of Disputed Funds.
- 3) Whether the Disputed Funds sent to the Beneficiary Account Owner have been transferred to a Subsequent-RFI.
- 4) Other relevant information and documents, as may be available.

The OFI shall be responsible for consolidating the information from the responses received from the RFIs and Subsequent-RFIs and coordinating future directives for the Extended Holding of Disputed Funds, if applicable.

Notice to Source Account Owner of Initial Holding of Disputed Funds and Coordinated Verification Process. Upon completion of the Disputed Transaction Report and in accordance with the periods prescribed under the Industry Protocol, the OFI shall provide the Source Account Owner with an update on the complaint, together with information on whether Disputed Funds were successfully held for not more than five (5) calendar days and the subsequent steps to be taken to extend the Initial Holding period and, if warranted, to recover the Disputed Funds.

The OFI shall likewise inform the Source Account Owner that the OFI has commenced the Coordinated Verification Process under these Regulations, which includes the coordination with the RFIs, Subsequent-RFIs, CSOs, and Account Owners, and the investigation and validation of the Disputed Transaction.

The notice shall also contain a statement that any person who, with malice or in bad faith, reports or files completely unwarranted or false information that results in the temporary holding of funds may be held criminally liable for malicious reporting under Section 11, in relation to Section 16(e), of R.A. No. 12010.

Considerations for Extended Holding of Disputed Funds. The Initial Holding of Disputed Funds may be extended by not more than fifteen (15) calendar days from the lapse of the Initial Holding Period, if the BSI determines that the nature of the transaction, together with other readily available information on its Account Owners, their customer and risk profiles and behavioral patterns, give reasonable grounds to believe that the funds held are likely to be Disputed Funds.

To enable the BSI to make a proper assessment of the propriety of extending the Initial Holding Period, the following may be considered:

- 1) A Sworn Complaint, Affidavit, or Police Report filed by the Source Account Owner within the Initial Holding period and in accordance with the Industry Protocol. The Sworn Complaint, Affidavit, or Police Report shall detail the circumstances that gave rise to the transaction and the reasons why the Source Account Owner believes that the transaction is probably a Disputed Transaction.

For purposes of Extended Holding, an OFI that relies in good faith on the information and documents contained in the Sworn Complaint, Affidavit, or Police Report, as well as other readily available information, when

determining the attendant circumstances giving rise to the Disputed Transaction, shall not be held liable for improper holding of Disputed Funds.

- 2) An Extended Holding Request submitted by the OFI within the Initial Holding Period and in accordance with the Industry Protocol, detailing the reasons why the OFI reasonably believes that the transaction is likely to be a Disputed Transaction.

The Request for Extended Holding may be accompanied by supporting documents such as the Source Account Owner's Sworn Complaint, Affidavit, or Police Report, relevant FMS Findings, investigation reports, or other similar information.

For purposes of Extended Holding, an RFI or Subsequent-RFI that relies in good faith on the information and documents contained in the Extended Holding Request, as well as other readily available information, when determining the attendant circumstances giving rise to the Disputed Transaction shall not be held liable for improper holding of Disputed Funds.

Extended Holding of Disputed Funds and Required Notifications. If Extended Holding is warranted under these Regulations, the OFI shall perform the following before the lapse of the Initial Holding period:

- 1) If the Disputed Funds were successfully held, extend the Initial Holding Period by an additional period of not more than fifteen (15) calendar days.
- 2) Transmit an Extended Holding Request for an additional period of not more than fifteen (15) calendar days to all RFIs and Subsequent-RFIs previously requested to initially hold Disputed Funds, if any.
- 3) Simultaneously with the Extended Holding, notify its own Beneficiary Account Owner that it shall extend the Initial Holding of Disputed Funds by an additional period of not more than fifteen (15) days, together with:
 - a. Information on how the Beneficiary Account Owner may challenge or request the lifting of the Extended Holding of Disputed Funds or substantiate the legitimacy of the Disputed Transaction; and
 - b. Information on the possible consequences of failing to participate in the Coordinated Verification Process and to substantiate the legitimacy of the transaction, including the possible release of Disputed Funds to the Source Account Owner.
- 4) Acknowledge receipt of the Sworn Complaint, Affidavit, or Police Report and inform the Source Account Owner that the BSIs involved shall engage in the Coordinated Verification Process in accordance with these Regulations.

If Extended Holding is warranted under these Regulations, the RFI or Subsequent-RFI shall, upon receipt of an Extended Holding Request and within the Initial Holding period, comply with subparagraphs (1) and (3) of this subsection.

Response to Extended Holding Request. Immediately from receipt of the Extended Holding Request and in accordance with the periods prescribed under the Industry Protocol, the RFI and Subsequent-RFI shall provide the OFI with information on whether or not the former decided to extend the holding period by an additional period of not more than fifteen (15) days and the reasons and justifications for the same, if available.

Notice to Source Account Owner of Extended Holding of Disputed Funds. The OFI shall provide the Source Account Owner with information on whether the Initial Holding of Disputed Funds was extended for an additional period of not more than fifteen (15) days and other relevant updates on the status of its investigation and verification.

Remedies of Beneficiary Account Owner. Beneficiary Account Owners whose funds are subjected to temporary holding may, at any time, challenge the same or request the lifting thereof from their BSIs by providing information, documents, or evidence to substantiate the legitimacy of the Disputed Transaction. If substantiated, the BSI, after evaluation, shall immediately lift the temporary holding of Disputed Funds and release the same to the Beneficiary Account Owner, even prior to the lapse of the applicable holding period.

All BSIs must inform the Beneficiary Account Owner, immediately upon receipt of the lifting request and in accordance with the periods prescribed under the Industry Protocol, of its decision to lift the temporary holding of Disputed Funds or to continue with the same, pending further investigation.

Notification Report on the Temporary Holding of Funds. All BSIs shall provide the *Bangko Sentral* with a report on the temporary holding of funds subject of Disputed Transactions, without prejudice to the reports required from BSIs under existing laws, rules and regulations.

The content and coverage of the report, as well as the timeline, frequency, and manner of reporting, shall be in accordance with **Appendix B** of these Regulations.

Coordinated Verification Process. All BSIs, ACH Participants, and CSOs identified or involved in a Disputed Transaction Chain shall participate in the Coordinated Verification Process, regardless of whether the funds remain in their systems or not.

Once the Coordinated Verification Process is initiated in accordance with these Regulations, BSIs shall:

- 1) Trace, verify, and validate the accuracy, authenticity, and legitimacy of a Disputed Transaction, which may include:
 - a. Sharing information with involved BSIs such as the names of the Account Owners involved, the date and time of the transaction, the amount involved, the unique transaction reference numbers, and the reasons why the transaction is likely to be legitimate or not;
 - b. Sharing and reviewing supporting documents, such as the Source Account Owner's Sworn Complaint, Affidavit, or Police

Report, relevant FMS Findings, investigation reports, or other similar information;

- c. Timely communicating with involved BSIs and other relevant entities, such as their authorized or accredited agents and third-party service providers, ACH Participants, and CSOs, among others, to obtain additional information that is necessary and critical to effectively implement the Coordinated Verification Process;
 - d. Timely communicating with Account Owners to obtain additional information or documentation on the purpose of the transaction, the relationship of the parties, the source of funds, or other proofs of the legitimacy or illegitimacy of the Disputed Transaction;
 - e. Investigating customer accounts for known fraud indicators and unusual patterns;
 - f. Analyzing transaction patterns and recent account activity for red flags in accordance with common fraud parameters and other indicators;
 - g. Verifying the information gathered by cross-checking it against other independent or reliable data sources;
 - h. Evaluating the veracity of the claims by considering the nature of the transaction vis-a-vis the Account Owners' risk profile, behavior, claims, or allegations;
 - i. Other means as may be established by a BSI's policies, systems, and/or the agreed Industry Protocol.
- 2) Provide appropriate and timely notification and information to their own Account Owners whose Financial Accounts are affected by the Coordinated Verification Process. The timing, manner, and type of information to be shared with Account Owners shall be clearly defined in the BSI's disclosure and transparency policies and procedures that form part of its Consumer Protection Risk Management System, as defined in R.A. No. 11765 and its implementing rules and regulations.
- 3) Swiftly and efficiently complete the Coordinated Verification Process:
- a. If funds were successfully held: Within the twenty (20) calendar day temporary holding period, unless the said period is extended by a court of competent jurisdiction.
 - b. If no funds were held: Within thirty (30) calendar days. For meritorious reasons, the Coordinated Verification Process may be extended, provided that the total period does not exceed sixty (60) calendar days.
- 4) Release the Disputed Funds in accordance with these Regulations.

- 5) Provide their Account Owners with documents and information, including but not limited to, transaction reference numbers or transaction identifiers, RFIs involved, and dates and times of transactions, as allowed by law, which are necessary for the filing of criminal complaints for violations of Sections 4 and 5 of R.A. No. 12010.

Non-Applicability of Bank Deposit Secrecy and Data Privacy Laws during Coordinated Verification. The provisions of R.A. No. 1405, as amended; R.A. No. 6426, as amended; R.A. No. 8367; and R.A. No. 10173 shall not apply during the Coordinated Verification Process of a Disputed Transaction.

Responsibilities of CSOs and ACH Participants. All CSOs and ACH Participants involved in fund transfers related to a Disputed Transaction shall participate in the Coordinated Verification Process by sharing the necessary information for all involved BSIs to trace and verify the accuracy, authenticity, and legitimacy of the transaction.

Responsibilities of Other Entities Involved in the Disputed Transaction. All BSIs involved in a Disputed Transaction shall coordinate with their authorized agents and third-party service providers to ensure timely information gathering and effective implementation of the Coordinated Verification Process.

Release of Disputed Funds. Immediately upon the lapse of the Initial or Extended Holding of Disputed Funds, or at any time upon confirmation of the legitimacy of the Disputed Transaction as substantiated by the Beneficiary Account Owner or through other means, BSIs shall lift the temporary holding of Disputed Funds and release the same to the Beneficiary Account Owner, unless:

- 1) The period for holding the Disputed Funds is extended by a court of competent jurisdiction;
- 2) The Beneficiary Account Owner executes a written waiver of any claim over the Disputed Funds;
- 3) The totality of the information obtained during the Coordinated Verification Process gives rise to a reasonable conclusion that:
 - a. The Disputed Funds are derived from or are related to money muling, unlawful activities, or illegal sources;
 - b. The transaction has no underlying economic purpose;
 - c. The Disputed Funds are derived from social engineering schemes; or
 - d. Other grounds similar or analogous to the foregoing.

In cases falling under subparagraphs (2) and (3) above, the BSI holding the Disputed Funds shall deduct the equivalent amount from the Beneficiary Account Owner and return the same to the BSI of the Source Account Owner immediately upon receipt of the written waiver or completion of the Coordinated Verification Process, in accordance with the periods prescribed under the Industry Protocol.

The decision of the BSI to release the Disputed Funds to the Beneficiary Account Owner or Source Account Owner shall be without prejudice to any other legal remedy available to the aggrieved party.

Execution of Annual Notarized Certification. Within thirty (30) calendar days from end of year, the BSI initiating or effecting the holding of funds shall execute and submit to the appropriate department of the BSP a notarized certification that it is compliant with the related requirements of adequate risk management systems and controls as prescribed by the BSP at the time that it initiated or effected the holding of the funds.

Liability for Failure to Temporarily Hold Funds. A BSI that fails to temporarily hold funds subject of a Disputed Transaction, as required under R.A. No. 12010 and these Regulations, shall be liable for loss or damage arising from such failure, including the restitution of the Disputed Funds to the Account Owner.

Liability for Improper Holding of Funds. Without prejudice to liabilities under existing laws, a BSI that holds funds subject of a Disputed Transaction beyond the allowable period, or improperly holds funds, as provided in R.A. No. 12010 and these Regulations, shall be subjected to administrative action under R.A. No. 7653, as amended, other related laws, and *Bangko Sentral* rules, regulations, orders, or instructions.

Protection from Malicious Reporting of Disputed Transactions. All BSIs shall ensure that they are protected from malicious reporting of Disputed Transactions by incorporating in their FCPAM forms, systems, and procedures a notification or provision that any person who, with malice or in bad faith, reports or files completely unwarranted or false information that results in the temporary holding of funds shall be liable under Section 11, in relation to Section 16(e), of R.A. No. 12010.

Role of the BSP Consumer Assistance Mechanism (CAM) and BSP Online Buddy (BOB) in Handling Complaints or Reports on Disputed Transactions. The BSP CAM/BOB remains as the second-level recourse for Account Owners who have filed Disputed Transaction complaints with BSIs and are dissatisfied with the BSI's actions on their complaints. Disputed Transaction complaints escalated by Account Owners to the BSP CAM/BOB shall be processed in accordance with the rules of procedure under Circular No. 1169, Series of 2023.

The BSI's Financial Consumer Protection Assistance Mechanism (FCPAM) shall continue to serve as the first-level recourse for Account Owners with Disputed Transaction complaints.

Retention of BSI Records on Disputed Transactions. BSIs shall ensure that all digital and physical information, data, and records related to a Disputed Transaction shall be maintained in accordance with existing laws, rules and regulations on record management, retention, and disposal.

Safe Harbor Provision. No administrative, criminal, or civil liability shall be imposed against a BSI or its directors, trustees, officers, and employees for holding funds subject of a Disputed Transaction when done in accordance with these Regulations.

Supplementary Regulations. The *Bangko Sentral* may revise these Regulations and issue related circulars, guidelines, and other issuances as it deems

necessary for the effective implementation of the various provisions of AFASA, consistent with other existing laws, rules and regulations.

Supervisory enforcement actions. The *Bangko Sentral* reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in these Regulations and bring about timely corrective actions and compliance with *Bangko Sentral* directives.

Transitory Provisions. BSIs shall be given six (6) months from the effectivity of this Circular to develop and adopt the Industry Protocol necessary to implement these Regulations.

These Regulations shall apply to all complaints filed after the adoption of the Industry Protocol, provided that the cause or causes of action of the complainant accrued after the effectivity of AFASA.

Repealing Clause. All existing rules, regulations, orders or circulars or any part thereof inconsistent with these Regulations are hereby repealed, amended, or modified accordingly. The provisions of Circular No. 1160, Series of 2022, on unauthorized transactions and liability for losses arising from unauthorized transactions are hereby supplemented.

Separability Clause. If these Regulations or any provision hereof be declared invalid or unconstitutional, the remainder of these Regulations or other provisions not otherwise affected shall remain valid and subsisting.

Section 2. This Circular shall take effect within fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD

ELI M. REMOLONA, JR.
Governor

APPENDIX A

Disputed Transactions Flagged by Receiving Financial Institutions (RFIs)

Fraud Management System (FMS) Findings involving Incoming Transactions. Immediately and simultaneously from receipt of an FMS Finding involving incoming Disputed Transactions, an RFI shall, in accordance with the periods prescribed under the Industry Protocol:

- 1) Verify the information received to enable it to identify the Disputed Transactions and the Disputed Funds to be subjected to Initial Holding and the Coordinated Verification Process. At the minimum, the RFI shall confirm the unique transaction reference number or transaction identifier, the Beneficiary Account Owner and Number, the amount of Disputed Funds, the mode of transfer or payment transaction, the date and time of the Disputed Transaction, the OFI involved, and the Source Account Owner and Number, if known.
- 2) Prepare a Disputed Transaction Report, documenting the minimum information necessary to identify the Disputed Transaction, the Disputed Funds, and the reasons why the transaction appears to be a Disputed Transaction.

In view of the urgent need to prevent the transfer and/or exfiltration of Disputed Funds through the financial system, the RFI shall, for purposes of Initial Holding, have the right to rely on the FMS Finding as to the attendant circumstances giving rise to the Disputed Transaction.

- 3) Initially hold the Disputed Funds transferred to the Beneficiary Account Owner for not more than five (5) calendar days.
- 4) Notify the Beneficiary Account Owner that it shall temporarily hold the Disputed Funds for an initial period of five (5) calendar days, together with:
 - a. Information on how the Beneficiary Account Owner may challenge or request the lifting of the Initial Holding or substantiate the legitimacy of the Disputed Transaction; and
 - b. Information on the possible extension of the Initial Holding and the possible consequences for failing to participate in the Coordinated Verification Process or to substantiate the legitimacy of the Disputed Transaction.
- 5) Immediately and simultaneously notify the OFI that its FMS flagged circumstances that give reasonable grounds to believe that the transaction originating from the OFI may be a Disputed Transaction, and provide:
 - a. Information sufficient for the OFI to identify the Disputed Transaction and to verify the same with its Source Account Owner;
 - b. Information on whether the Disputed Funds were successfully held or were withdrawn or transferred to a Subsequent-RFI.

- c. Information on the subsequent steps to be taken to extend the Initial Holding Period and, if warranted, to recover the Disputed Funds.
 - d. Other relevant information and documents, as may be available.
- 6) Participate in the Coordinated Verification Process by tracing and verifying the accuracy, authenticity, and legitimacy of the Disputed Transaction, and coordinating with the involved BSIs and Account Owners in accordance with these Regulations.

After timely communicating with the OFI, the RFI may extend the Initial Holding period for not more than fifteen (15) calendar days, if warranted under these Regulations. Thereafter, the RFI shall lift the temporary holding and release the Disputed Funds in accordance with these Regulations.

APPENDIX B

Guidelines on the Submission of Reports on Temporary Holding of Funds Subject of Disputed Transactions

Scope. These Guidelines shall apply to all *Bangko Sentral*-Supervised Institutions (BSIs) that temporarily hold funds subject of Disputed Transactions, in accordance with Section 7 of R.A. No. 12010, or the Anti-Financial Account Scamming Act (AFASA), and its implementing rules and regulations (IRR).

Report Content. A BSI shall promptly notify the *Bangko Sentral* whenever it temporarily holds funds that are the subject of a disputed transaction.

The notification shall be called **AFASA Disputed Transaction Report (ADTR)**. The ADTR shall contain the following minimum information:

1. Name and branch location of the BSI where the Financial Account with funds temporarily held are maintained;
2. Number of the Financial Account with funds temporarily held;
3. Full name, address, and contact information of the Account Owner whose funds were temporarily held;
4. Amount of the funds temporarily held; and
5. Status of the Coordinated Verification Process at the time of reporting.

If the temporary holding is triggered by a complaint from an aggrieved Account Owner of the reporting BSI (i.e., Complaint-Initiated Holding), the ADTR shall include the following:

1. Full name, address, and contact information of the Account Owner;
2. Number of the source Financial Account; and
3. Amount involved in the disputed transaction.

If the temporary holding is triggered by information from another BSI (i.e., Request-Initiated Holding), the ADTR shall include the following:

1. Name of the BSI that provided the information;
2. Unique transaction reference number or transaction identifier;
3. Full name, address, and contact information of the Account Owner of the source Financial Account;
4. Number of the source Financial Account; and
5. Amount involved in the disputed transaction.

If the temporary holding is triggered by the BSI's own FMS (i.e., FMS-Initiated Holding), the ADTR shall include the following:

1. Date and time of the discovery of the cause of temporary holding;
2. Nature or brief description of the cause of temporary holding; and
3. Date and time of the instigation of the temporary holding.

Reporting Template. The BSI shall use the prescribed **Data Entry Template (DET)** and **Control Prooflist (CP)** when reporting to the *Bangko Sentral*. The prescribed DET, CP, and User Guide can be downloaded from www.bsp.gov.ph.

Reporting Frequency and Coverage. The BSI shall submit the ADTR on or before 06:00 P.M. every Monday. The report shall cover all funds subject of a Disputed Transaction from the last seven (7) days prior to the date of reporting.

Initial and Succeeding Reports. Submission of the first ADTR shall begin on the first Monday following the effectivity of the AFASA IRR, and shall cover all the days since the IRR became effective. Succeeding ADTRs shall be submitted on the next Mondays thereafter.

The succeeding ADTRs shall update the initial or prior reports as appropriate. Any temporarily held funds omitted in succeeding ADTRs shall be construed as released to the rightful owner and no longer the subject of a Disputed Transaction.

Submission Procedures. The ADTR shall be certified correct and signed by the Chief Compliance Officer or authorized official of equivalent rank.

The ADTR shall be electronically transmitted on or before the prescribed deadline to AFASAResult@bsp.gov.ph using the subject line ADTR_BSI NAME_DATE OF REPORT. For example:

To: AFASAResult@bsp.gov.ph
Subject: ADTR ABC BANK 06 Jan 2025

The ADTR shall be in [Portable Document Format or Excel], submitted using the prescribed file naming convention, as illustrated below:

ADTR xxx xxx xxx.pdf
ADTR xxx xxx xxx.xls

The BSI may attach one or several ADTRs in one email submission provided that the maximum size limit is 25 megabytes. The size limit pertains to the combined size of all the elements in the email comprising of text, headers, and attachments. Email submissions exceeding the prescribed size limit shall automatically be rejected by the system and thus considered unsubmitted.

BSIs shall use only the email addresses officially registered with the *Bangko Sentral* Department of Supervisory Analytics (DSA) when electronically submitting the ADTR. Email submissions shall be automatically acknowledged by the system. Submissions that do not receive automatic acknowledgements shall be considered unsubmitted.

Compliance with Reporting Standards. Submissions that do not conform with the above-prescribed procedures shall not be accepted and will be considered non-compliant with the existing reportorial requirements and subject to applicable penalties for late and/or erroneous submission. The ADTR shall be considered as Category ____ report under Section 171 of the MORB, Section ____ of the MORNBF, and Section ____ of the MORPS.

Inquiries. Queries regarding the ADTR, its related regulations and guidelines may be sent via email to AFASAResult@bsp.gov.ph following the prescribed subject line: **[INQUIRY] ADTR [BSI Name]**.